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## II. NOTES ON COLONIES AND COLONIAL GOVERNMENT

**Philippine Commerce, Fiscal Year 1902.**—The import and export trade figures of the Philippine Archipelago for the twelve months ending June 30, 1902, recently published by the Bureau of Insular Affairs of the War Department, show a continuance of the improvement in trade that has prevailed since the inception of American control. This is gratifying when it is considered that the ravages of rinderpest, which destroyed over 90 per cent of the Carabaos, the plague of cholera, and the locusts, seriously interrupted business in many sections of the archipelago.

While the showing made by this country on the basis of direct shipments to and from the islands discloses a marked increase during the past few years and in itself indicates much activity on the part of the American manufacturer, nevertheless these figures as they relate to imports are exclusive of large purchases made in this country entered at the Philippine customs houses free of duty for use of the United States military departments, the insular government, or that of its subordinate branches. In addition to this unmeasured benefit to the United States trade, it is but fair to state that this country is deprived of the proper credit for its imports into the islands by reason of shipments passing through Hong Kong and eventually reported as originating at that point. Although this applies to European countries as well, to some extent, it has been found that only an exceedingly small portion of their export credits is affected, for the reason that nearly all their shipments come direct via Singapore and the transshipment at that port, and at Hong Kong and Saigon are rarely attended by the issue of new shipping documents under which the port of transshipment can be taken as the port of origin.

As to the Philippine export trade with the United States, in which this country has trebled its figures during the last two years, the results represent more nearly the proper credit, but there are numerous instances of direct shipments of hemp in large quantities, intended for the United States, to Europe and Hong Kong under documents in which these countries are given as the ports of final destination, as will appear from the fact that approximately seven and a half million dollars' worth of hemp was exported from the Philippines to the United Kingdom during the year 1902, while during a similar period the importations of this fibre into the United States coming from the latter country amounted to nearly four and a quarter million.

During the fiscal year 1902 there was imported merchandise, exclusive of gold and silver, to the value of \$32,141,342, showing an increase of nearly two million dollars over the same period of 1901 and exceeds all previous figures for any single year in the history of the archipelago.

The total importations received from date of American occupation to and including June 30, 1902, amounted to \$96,135,694 on which the total duty approximated over twenty-two and a half million, or based on complete yearly periods covered by the last three fiscal years, it would appear that

an average annual import trade of more than twenty-seven and a half million has been maintained, the United States sending merchandise to the amount of \$4,035,243 in 1902 as against \$2,855,685 in 1901 and \$1,657,701 in 1900 or an increase for the past year over 1900 of 143 per cent.

It is extremely difficult, if not impossible, to obtain authentic statistics relating to the trade prior to our occupation, but it may be of interest to compare the average just mentioned with the estimated value of imports of years immediately preceding that time. According to figures taken from Bulletin No. 14, United States Department of Agriculture, Section of Foreign Markets, the British consul at Manila has collected data in which the approximate value of imports into the Philippines for 1895 is stated at \$7,915,600, for 1896 at \$9,292,500 and for 1897 at \$9,120,000; of these amounts an average annual value of \$125,432 is credited as coming from this country.

The same authority publishes figures fixing the average annual value of total imports during the period 1880-1894 at \$17,039,044, which is probably a fair normal average during the years in which the archipelago was open to the commerce of the world; the major portion of the trade during this period is credited to Spain and the United Kingdom, which countries practically controlled the Philippine import market. The annual export trade from the United States to the islands during these years, presumably taken from records at the customs houses of this country, approximated \$130,000, a very insignificant part of the totals reported as coming from all countries. The relative standing during the last fiscal year shows a gain of more than a million dollars for this country, in round numbers being second in rank with over \$4,000,000, a rating of 13 per cent, exceeded by the United Kingdom with 17 per cent; the Spanish trade having fallen off to such an extent that its present ratio equals but 7 per cent. As compared with her trade for the previous year the United Kingdom lost practically one-fifth in the value of goods sold, the figures for cotton goods alone, which is the principal class of importation into the islands, showing a loss of a million and a half.

The average annual value of Philippine export trade from 1880-1894, inclusive, is given as \$20,526,961, though the records disclose but little information by countries relating to these years.

The United Kingdom appears to have been the principal destination during the five-year period from 1892-1896, inclusive, with an average annual value of \$8,844,026; the United States ranking second with \$6,053,232. For the same number of years immediately preceding this period, an average of about \$8,786,000 was received by this country annually, while the United Kingdom trade appears to have been second in importance, falling a little short of this figure.

The export figures of the archipelago in the fiscal year 1902 were larger, with but two exceptions, 1870 and 1889, than in any year of its history. The last fiscal year shows an increase over 1901, \$23,927,679 worth of merchandise being exported, of which the United Kingdom and United States received nearly \$16,000,000 in practically equal proportions, however, the re-exportation of hemp to this country for the past year coming from the United

Kingdom places the United States far in advance as the leading market for Philippine products at the present time.

From date of American occupation, to and including June 30, 1902, this trade amounted to \$79,260,607, and the duty collected to nearly three million dollars.

**Jury Trials in Porto Rico.**<sup>1</sup>—It has proved a matter of surprise that so few defendants in criminal actions in the insular courts are availing themselves of their right to ask for a jury trial. This right was established by the first Legislative Assembly of Porto Rico, the law taking effect April 1, 1901, and applying to all criminal cases where the punishment would exceed two years' imprisonment. The new code of criminal procedure enacted during the second session of the legislature, and which took effect July 1, 1902, extended the right of trial by jury to all felony cases with the further provision that the prosecuting attorney notify the defendant in writing in every such case of his right to demand a jury trial. Yet the defendants and their attorneys have remained indifferent to these provisions, and among the hundreds of trials held in the insular courts since the jury law took effect, up to October 1, 1902, scarcely a dozen were by jury. There is no doubt that this small number is due in a great measure to a lack of familiarity with the law, but the fact remains that the number is much less than was expected and that the trials by judges alone inspire more confidence than was thought.

When the jury system was instituted it was predicted that many juries would fail to agree and that the number of acquittals would be large. Only in one instance, however, has it been necessary to discharge a jury for failure to agree, and the majority of cases have resulted in convictions. The form of special verdict, so rare in the states, was resorted to in one case.

The jury trials have generally been characterized by great solemnity. Considering the fact that usually not one of the participants had ever seen a trial by jury, the trials were also conducted with remarkable smoothness. The very lack of familiarity with the system on the part of the lawyers contributed to this smoothness, for acts and omissions which in the United States would have vitiated all subsequent proceedings or called forth storms of protest have been passed by in blissful acquiescence without a word of comment. Thus trials have been held without the formality of swearing the jury. In the trial of a challenge in one case a juror was found incompetent by his sworn admissions, yet the judge refused to rule him out because no further evidence had been offered. In another case the jury filed into court and announced that they stood seven to five, and the judge before sending them back, gravely required the majority and minority in turn to rise, and the clerk to record their names. In still another the jury convicted the prisoner of an offence radically different from that of which he stood accused. Yet in each one of these cases the verdict was allowed to stand without exceptions being made, for no one was the wiser. The jury, too, has caused

<sup>1</sup> Contributed by Hon. Otto Schoenrich, Arecibo, Porto Rico.

its share of ludicrous situations. One jury made a request to have a lawyer to direct them in their conferences. Another insisted on passing sentence on a defendant after convicting him. Another brought in a verdict to the effect that "without considering the evidence the jury acquits the defendant." Many instances might be cited. But on the whole it may be said that there has been a surprisingly small number of informalities and that the verdicts have in almost every case been in strict accordance with justice.

In view of the small number of cases tried by jury in the insular courts, it is too early to form a definite opinion as to the ultimate effects of the introduction of the jury system. The first results have on the whole been quite satisfactory, but it remains to be seen whether they will continue when the newness and strangeness of the system wears off. The jury trials held in the Federal court cannot be taken into consideration for the great majority of the jurymen have been Americans or Americanized Porto Ricans, but even here the results have not been of a kind to induce great enthusiasm. It is probable that the same objections will hold in Porto Rico which are to be urged against the jury system in the United States. By law, members of most of the professions are exempt from jury service, many persons who are liable, resort to every means within their power to escape from what to them is an onerous burden, and the majority of those who welcome jury duty are undesirable persons whose incentive is the jury fee. In Porto Rico there are other objections. The standard of education is not so high as it is in the United States. The island being somewhat isolated and not very large, almost everyone of any prominence enjoys a wide acquaintance. The ties of family, however remote, and those of friendship, are very strong, and no less strong are the passions aroused by politics and personal enmity. It is therefore a question for the future to determine whether justice would not be better administered by impartial judges trained and accustomed to weigh evidence in the light of law rather than by inexperienced and perhaps partial juries. In criminal cases, where the issue of fact is clear and simple, juries are more acceptable than in civil matters where law and facts are often intimately blended and very complex. It would appear wise to keep the operation of the jury law confined to criminal matters and not to extend it to the settlement of civil questions.

**Economic Questions in the English and Dutch Colonies in the Orient.**—In August, 1901, Professor Jeremiah W. Jenks was appointed Special Commissioner by the Bureau of Insular Affairs of the War Department to investigate the systems of currency, labor, internal taxation and the police, of Burma, the Straits Settlements and Federated Malay States, and Java. His report, which has just been published by the War Department, is briefly summarized in the following pages:

#### I. CURRENCY.

*Effect of depreciating currency.*—The experience of the English and Dutch colonies during the period of the depreciation of silver from about 1873 to the present time seems to show that a currency which is rapidly

depreciating, as compared with gold, tends toward stimulating the export trade and business of manufacturing for export. This comes about, of course, from the fact that in these colonies the export trade has been mostly with gold-standard countries. In consequence, with a gold price remaining stable, the amount of silver received for the same quantity of goods in the colony was steadily increasing. The wages of laborers and the local cost of material employed in manufacturing being paid in silver, naturally remained more nearly stable. In consequence, manufacturers and exporters received steadily a bounty in addition to what might be considered normal profits. It is, of course, true that the buyers in Europe, recognizing the situation, in certain cases, discounted this advantage in their offers; but, generally speaking, there can be little doubt that the depreciating currency actually stimulated and aided the exporters and manufacturers.

*Effect in Sumatra.*—Naturally this gain must have been paid by someone. In the case of the tobacco raisers of Sumatra, whose expenses were chiefly for labor, the gain was secured mainly through increasing their silver prices without a corresponding increase in the wages of their coolie laborers. On the other hand, inasmuch as the laborers consumed chiefly goods which were raised in the country itself, not for export, and inasmuch as these prices, largely fixed by custom, did not in many cases go up, they did not feel the loss as they would have done had they been compelled to buy imported goods. Moreover, in many instances, where their goods were imported, as, for example, opium, either this came from silver-standard countries, or else, whenever the price showed a tendency to increase, the tobacco producers, in order to prevent dissatisfaction on the part of their laborers and the consequent possible demand for an increase of wages, sold opium to them at the previous rate, and themselves stood any loss that might come from its increased silver price.

*Effects in India.*—In India, where wages were largely a matter of custom and where the pay also was at times partly in truck, the laborer usually did not feel any immediate loss from the depreciation of the coin in which he was paid. In that country the sufferers were chiefly government officials and others whose salaries were fixed in terms of silver rupees, but who had to consume in part imported goods, or who were compelled to make remittances to gold-standard countries.

With these classes should of course be classed the government itself, which, being heavily in debt to gold creditors in England, was compelled to remit from year to year a steadily increasing amount of silver or of silver credits, as that currency depreciated. The determination to fix the rate of exchange in India came about, of course, mainly from this necessity of the government itself. The result of fixing the rate of exchange with gold has been the relief of the government and of those who are compelled to live, to a considerable extent, upon imported or export goods, while it has taken away from the exporters and manufacturers and producers of export goods the stimulus which they were continually receiving before. So far as in fixing the rate of exchange there was an increase in the value of silver, that has

come, of course, nominally at any rate, to the detriment of practically all Indian consumers and taxpayers. But, on the whole, it is probable that, as they consume largely Indian products, this has not been materially felt by them.

*Conclusions from experience.*—It would seem, therefore, that if a country is using a silver standard it might be well to maintain that standard if one wished to stimulate the internal development of the country in the matter of export goods, and were also willing that those who consumed import goods and the laborers, so far as they had the opportunity of getting either import goods or of securing gold credits of any kind, should carry the burden, unless the evils that are likely to come from the fluctuation of currency would seem to overbalance.

It is a matter of doubt, however, at the present time whether silver is likely to depreciate any further. Many people have been of the opinion that, owing to the new gold discoveries and to the probable increase in the output of gold in South Africa since the close of the Boer war, silver will be likely to increase in value rather than to lessen as compared with gold. Should that occur, this stimulus spoken of would be changed into a drag upon progress.

The matter of stimulating the export trade also depends, to a considerable extent, upon the countries to which the exports are sent. If these are silver countries, the effect will not be felt. A country, therefore, might well consider whether it wished to stimulate trade with the gold countries or with silver countries before finally formulating its policy.

#### CONCLUSIONS REGARDING THE PHILIPPINES.

To apply, now, this experience to the situation in the Philippines:

*Effects of depreciating standard.*—While it is desired on the part of the American government to develop as rapidly as is consistent with just treatment of the Filipinos the resources of the Philippine Islands, it is by no means the desire to do so at the expense of either the Filipino laborers or the local Filipino producers, who would receive their pay in silver. At present the hemp plantations are largely in the hands of small individual holders, who sell their product to the exporting houses, mainly English, for shipment to the chief importing countries, England and the United States, both of which are on the gold basis. The gain that would come from a fall in the rate of exchange would naturally be kept chiefly by these European or American exporters, and the Filipino producer would receive little or none of it. Even if he were to receive some slight gain through an increased silver price, he is certain to wish to consume more or less—and continually more as time goes on—of imported goods. At present he uses some cotton, but as his income improves he will certainly use more in the way of tools, agricultural implements, and other articles of import. In all these matters, therefore, he would be losing if silver continues to depreciate; and, taking the matter as a whole, it is likely that the chief gain, if there were any gain, would come not to the Filipino, but to the American or European go-between.

In the case of the large sugar plantations, the gain would come also to the exporting merchant, or later possibly to the individual or corporation owning the large plantation. The burden would fall upon the laborers, who, at the present time, are mostly Filipinos. If Chinese coolie labor were admitted, and the Filipinos engaged in other labor, it would be the Chinese coolies chiefly, in this industry, who would carry the burden, and more, then, might be said in favor of the maintenance of a silver standard.

*Effects of fluctuations.*—On the other hand, as has been intimated, it is by no means certain that silver will depreciate steadily in the future. Moreover, it is perfectly certain that great embarrassments will come both to business men and to the government from the continually fluctuating currency. During the three months of the spring of this year the government had fixed the official rate of exchange between silver and gold at \$2.27 in silver for one American gold dollar. The rate at the time it was fixed was high enough. A rapid fall in silver, however, placed the market rate at considerably above \$2.30; most of the time it was as high as \$2.35 or \$2.36, and at times it was even above \$2.40. The consequence was that all government officials and all who had contracts with the government were compelled to receive money at \$2.27, while in their outside purchases they were compelled to pay from \$2.35 to \$2.40. Practically all of the leading business houses in Manila at once changed their prices from the silver basis to the gold, and in making the exchange naturally took advantage of the consumer. Wage-earners in general, whose wages had been fixed in silver, were compelled to take their pay in that metal, and suffered accordingly.

*Difficulties of government.*—To the suggestion that the government change the rate more frequently whenever the market rate changes, the important objection is, aside from the hampering effect on business, that it is practically a matter of great difficulty for the government treasury officials to make these frequent changes in their rates. Many of the officials in outlying districts cannot be communicated with oftener than once a month, or even once in two months in some cases, and a change made in Manila on, say, the first of September, if attempts were made to make adjustments, might cause two months afterwards, in some outlying province, a payment of additions to salaries not fully paid, or might involve the cutting of a subsequent salary in order to make even the government loss of the preceding months. It might even in special cases involve a practically impossible attempt on the part of the government to collect back money already paid out. If the prospect of gain to the common man were great, we might readily demand that the government take upon itself the trouble involved in the fluctuating rate; but as such gain is not probable, inasmuch as at the present time nothing can be more important than for the government to run with as little friction as possible, and to avoid all possible causes of controversy with the people, it seems of the highest importance that the government be spared the difficulties of the fluctuating rate.

*Encouragement of commerce with United States.*—It is clearly best, also, when one looks to the future development of the Philippines, that its com-



merce with the United States be encouraged. This can be brought about, beyond question, on a more stable basis provided the rates of exchange between the Philippines and the United States be substantially fixed, fluctuating only with the demands of business.

For all these reasons therefore, it seems on the whole best that the Filipinos be given a fixed rate of exchange for their currency as compared with the gold standard of the United States.

*Nature of currency desired.*—It is, however, desirable, whenever any country is to establish a new system of currency, that the value of the coins most common in circulation be changed as little as possible. The wages of labor and prices already fixed are to a considerable extent matters of custom. If a monetary unit is introduced of considerably more value than the one abandoned, it will be necessary to make a nominal reduction of wages and of prices. The consequence is that laborers and less well-informed sellers of produce will feel that their income is being arbitrarily lessened, and great dissatisfaction is almost certain to be the result. One can easily see how a sudden action of that kind on the part of a government might produce even a revolution among people not well informed on monetary matters.

If the new currency, however, is one whose monetary unit is substantially the same or only a trifle higher than the one already employed no evil result of this kind will follow. There might even be a slight increase in the value of the monetary unit which would come to the benefit of the wage-earners and the local producers.

The system of currency recommended in the first place by the Philippine Commission, and afterwards formulated more completely by Mr. Conant, special commissioner of the War Department, follows out this principle. The new coin would be substantially equal in value to the Mexican dollar or peso formerly in use. It would, in fact, be slightly greater in value in the world's markets since this last fall in silver. It is probable, however, that the difference would not be great enough so that there would be any nominal reduction in wages, or, speaking generally, in the prices of produce.

It seems, therefore, that the wisest plan for the United States, if it intends to act in the interest of the native Filipinos and not exclusively in the interests of the comparatively few exporters and bankers, is to adopt the gold standard and to adopt the system of coinage recommended, which will produce as little disturbance in local conditions as any that has been proposed. It is extremely unfortunate that the system could not have been adopted before the last fall in silver, as in that case practically no disturbance whatever would have been noticed.

*Present measures.*—Meanwhile, without the gold standard, the Philippine government can, perhaps, relieve part of the embarrassments of its employees by keeping a balance in the United States, and selling to them substantially at the rate in which they are paid whatever drafts they need for remittances home; or, in many cases, the same result might be accomplished more speedily by permitting them to have part of their salaries paid in gold to a designated representative in the United States.

If it were desired to fix the rate of exchange without abandoning the use of silver as the chief money of the Philippines, a plan might be adopted of arranging, through bureaus established for the purpose, for the sale in Manila of gold drafts on the United States and in the United States of silver drafts on Manila, at substantially the agreed upon ratio, somewhat after the plan recommended for India by Mr. Lindsay, of the Bank of Bengal, in Calcutta. There is reason to believe that such a system would work to advantage in many ways, especially in connection with the plan for the currency recommended if it were thought desirable to encourage the use of silver.

## II. LABOR.

*Imported labor in the Orient.*—In both the English and Dutch colonies of the Orient, the governments have felt the need of developing as rapidly as possible the resources of the countries. It has been felt that this development is as much in the interests of the native inhabitants as of the governing country. Wherever the population has been dense, as in Java, southern India, and many parts of central and northern India, the governments have depended entirely upon the native inhabitants for carrying out the work of development. In other places it has been found best to make provision for the importation of coolie laborers.

In Burma and Assam, as well as in Ceylon, employers, under suitable laws made by the colonial and Indian governments, have relied upon Indian coolie labor, the laborers coming mainly from southeastern India in the neighborhood of Madras into Ceylon and Burma, while the need of the planters in Assam has been supplied mainly from regions in India lying farther north.

In Burma, where there is no restriction upon immigration, there are found also a goodly number of Chinese. These, however, with rare exceptions, either engage in mercantile pursuits or are skilled workmen—carpenters, shoemakers, etc. In all these countries, as we have seen, the chief care of the government has been to protect the interests of the imported laborers and to give whatever encouragement was possible to their importation.

In the Federated Malay States, for the opening and development of the tin mines, the chief reliance has been upon Chinese laborers. There seems to be no doubt that without Chinese labor these most prosperous Malay States would have remained in a much more backward condition. Since the wages paid in the tin mines are, relatively speaking, high, and the Chinese, the better miners, go into that work, these states have been compelled to secure labor for development of their agricultural interests chiefly from India.

In East Sumatra, where the chief industry is tobacco growing, and in other parts of Sumatra where mining is the prominent industry and where the native population is altogether too small to perform the amount of work required, and is also disinclined toward severe labor, the employers have relied upon the importation of Chinese.

*Effects of imported labor.*—In all of the countries mentioned above it is practically the universal testimony that the importation of Indian or Chinese labor has not been, on the whole, to the detriment of the native peoples, and

speaking generally there is no hostile feeling between the natives and the imported laborers. Objection is made sometimes to the Chinese merchant or peddler in the villages. In Burma the native Burmans are disinclined to do the heavy labor required. In the rice mills the Burman is often found as bookkeeper, or as superintendent of certain departments of the work under the general supervision of the English or Scotch manager. At certain seasons of the year, when the Indian coolie can get somewhat higher wages in the rice fields and leaves the mills, the native Burman will, by exception, do the heavy work about the rice mills, but only on condition that he receives from two to four times the wages regularly paid to the Indian coolie.

The prosperous condition of the country, brought about by the work of the Indian coolie and of the Chinese skilled laborer, seems nevertheless to come in part to the benefit of the native Burman. In many cases he is a landholder and receives better prices for his crops, especially the garden truck, than would otherwise be possible. Likewise in many instances he is a successful fisherman, and his market has been increased. In the prosperous cities, such as Rangoon and Moulmein, the hundreds of drivers of garris and carriages are nearly all Burmans, while to them also come in good part the tasks of keeping books, drafting maps, making surveys, and the numerous other kinds of semi-skilled work which usually accompanies a developing business and an increasing population.

Similar results seem to be found in the Federated Malay States, the Straits Settlements and Sumatra. The native Malays will not do the heavy labor. They would much prefer that the country remain undeveloped. But the increased population and the developing business have created a much greater demand for their services as boatmen, clerks, drivers, etc., as well as for the product of their lands and their fisheries. Certainly in all those countries the natives are better off than before the immigrant laborers came.

*Work of Chinese merchants.*—In the Straits Settlements and the Federated states, however, where the Chinese are allowed to come freely, and, as soon as their contracts for labor are fulfilled, to engage in whatever occupation suits them, we find many Chinese merchants, shopkeepers and peddlers. They are thrifty, keen at a bargain and observant of the weaknesses of their fellow men. They soon learn the Malay love for display and carelessness of the future. In consequence they are ready to furnish to him gay clothing, provisions, anything that he wishes to gratify his desires; and they make no objection to giving satisfactory terms of credit. The consequence is that in many localities the Chinese shopkeeper has a large proportion of the simple-minded Malays in his debt, and gradually becomes the wealthy man of the village, with almost absolute power of domination over a large proportion of his neighbors.

A somewhat similar situation is found in Java, although there, on account of the density of the population, the Chinese are not allowed to come in large numbers to do the ordinary coolie work. Long experience has also taught the Dutch government that the Javanese will be overreached in a bargain by the more crafty Chinamen if they are allowed to come in contact. In con-

sequence the Chinese skilled laborers and merchants are carefully restricted to the towns in which they are placed and are not allowed to wander through the island at all. If their business needs require them to pass from place to place, they must secure a permit from the government and must report to the government officials of the towns through which they go and of the place of their destination when they arrive. In this way, outside of the larger towns, the more simple-minded Javanese of the rural districts are protected against their own weaknesses and are kept out of debt to the Chinamen. How do these experiences apply to our problem?

#### THE PHILIPPINES.

*Conditions in the Philippines.*—In the Philippines at the present time there is a great scarcity of labor. Since the American occupation wages for domestic servants, coachmen and clerks, as well as for common unskilled laborers, have doubled and trebled, and in many cases it is simply impossible to get the work done at any price. It is a common experience in Manila to wait for hours before one can secure a public carriage of any description, good or bad, to drive from one part of the city to another; and similar unpleasant experiences in connection with house servants and workmen of all descriptions are usual.

Speaking generally, the unskilled Filipino laborer, while intelligent enough, is careless and thriftless. He in most cases wishes to take two or three days a week on the average to celebrate as feast days. In individual cases, when his wages have been increased, he has been known to lessen correspondingly the number of days per month which he would work. His income being sufficient to satisfy his modest needs, he could see no reason why he should toil longer than was necessary to earn his income.

These general statements, however, are subject to certain exceptions and qualifications, which are often not mentioned. One of the largest government employers of labor in Manila, who needed some two hundred coolies to carry boxes and heavy freight on the wharves and about the city, stated that he had succeeded by a process of elimination in getting the required number of men who would work steadily throughout the week without taking feast days and without making more trouble than one would expect from unskilled American laborers. To secure this number of about two hundred picked men, however, he had employed from a thousand to twelve hundred, had paid good wages, and had discharged those from time to time who were not willing to do the regular work required. It is, then, possibly fair to say that of the ordinary Filipino laborers a certain percentage may be secured who will work faithfully and well provided good wages are paid and provided they are handled by an employer with firmness and skill.

There are, however, not enough Filipinos who can be secured in the city or from the provinces to do anything like the amount of work required to develop the resources of the islands as rapidly as is desirable. Doubtless some of the American and European employers of labor in Manila who are

raising the greatest outcry regarding the scarcity and worthlessness of Filipino labor, and who are demanding that the Chinese be admitted, are wishing mainly to cut down wages and secure cheap labor. To assume that this desire, however, is the only one which leads to the demand for Chinese labor is to misjudge the facts. Wages at the present time in certain lines of industry are so high that it would be impossible to compete in a common market with Hong Kong, Singapore or other cities, with whose goods the Philippines must enter into competition. What is desirable is to secure enough labor at rates high enough to enable the laborers to improve decidedly their customary standard of living, and at the same time not so high that the Philippines will be shut out from successful competition with other Oriental countries and decidedly impeded in their normal development.

*Suggestion of admission of Chinese under restrictions.*—To bring about these results it seems to be necessary to admit under careful restrictions a certain number of Chinese laborers. Such admission, if one may judge from the experience of the other Oriental countries, will result in a benefit to the native Filipinos as well as to the Americans and Europeans who send their capital thither for investment.

The thousands of Chinese now in the islands are mostly shopkeepers in Manila and other large towns, and skilled laborers—carpenters, shoemakers, tailors, etc. They, like the Chinese everywhere, are diligent and frugal. As shopkeepers they make large profits out of the frequently thriftless Filipinos. Their virtues of diligence and frugality, combined with their unscrupulousness, make them somewhat dangerous neighbors for the less wily and less provident Filipino. For the sake of the Filipinos, for whose benefit Congress has declared that the government shall be administered,<sup>2</sup> the Chinaman ought to be restricted in his movements and work. But likewise for the sake of the poorer Filipino, as well as for that of the American or Filipino capitalist, Chinese labor ought to be admitted to the islands in order that capital may be profitably employed, for without this introduction of capital the Philippines cannot be properly developed. In his testimony before the House Committee on Insular Affairs, March 3, 1902, Judge Taft called attention to an important firm of shipbuilders which was ready to build a large establishment on Manila Bay, provided that Chinese skilled laborers could be brought in. Filipinos might doubtless in most cases be employed as apprentices.

A successful tobacco planter of Sumatra a year or two ago started for the Philippines with the expectation of working a large tobacco plantation. On reaching Hong Kong he visited the American consul and from him learned that Chinese labor could not be introduced. From his experience with both Malay and Chinese labor in Sumatra he was convinced that the business could not at first be profitably carried on without Chinese laborers. He therefore, without even visiting the Philippines, abandoned the project and retraced his steps to Sumatra.

Even the Philippine government has had the greatest difficulty in securing labor to build a much-needed road to the health resort in Benguet, while both

<sup>2</sup>Act of July 1, 1902.

the government and private employers in connection with harbor improvements, with the loading and unloading of ships, and in other ways have found themselves very seriously hampered, no matter what wages they were ready to pay.

#### RECOMMENDATIONS.

For these reasons, therefore, it is recommended—

That the Philippine Commission be empowered to legislate regarding the admission of Chinese labor.

That a careful registration be made of every Chinaman in the islands, and that any new Chinaman introduced into the islands be made subject to a penalty if he is found away from his registered city or district of residence.

That it be permitted employers of not less than, say, twenty-five laborers to bring in Chinese under contract for a period of not over three years.

That these employers give bonds to secure the proper lodging, food, and treatment of their Chinese laborers, as well as for their security and employment at the work specified in the contract.

That they further be under bonds to return each imported Chinese coolie to China at the expiration of the period of the contract, unless in the meantime the contract is renewed under the special permission of the government granted separately in each case.

That there be appointed by the governor of the Philippines an inspector or protector of the Chinese to see that the law is rigidly enforced, both as regards the proper care of the Chinese coolie and as regards the protection of the Filipinos and others against evasion of the contract by the coolie absconding and going elsewhere in the islands as a regular inhabitant; and, finally.

That, while the present law excluding Chinese from the Philippines be modified as indicated, proper care be taken that the Chinese do not come from the Philippines into the United States.

It is believed that such a measure would result, with here and there an individual exception, not at all to the disadvantage of the native Filipino, but in the long run decidedly to his benefit through improved business conditions in the islands, which would furnish to him not merely a better market for his produce, but also a better opportunity for engaging in the kind of work for which he is best fitted and which accords most closely with his tastes. The development of business in the islands would increase greatly the demand for stenographers, telegraphers, drivers of horses, boatmen, etc., as well as for draftsmen, clerks and employees of various kinds in the government service and in the service of the larger business houses.

#### III. TAXATION AND LAND ADMINISTRATION.

*Customs duties.*—The experiences of the other countries under consideration have little to contribute on the subject of customs duties. The experiences of the Straits Settlements and of Hong Kong show in increase of trade the beneficial effects of the abandonment of customs duties entirely in ports which

are mere entrepôts, and which do not expect to use duties in any way to aid in the development of a country. Owing to the favorable situation of the Philippines as well as to the advantage derived from their production of such staple articles as hemp, sugar, copra and tobacco, it may well be that when other sources of revenue can be successfully established the import duties should be revised with the deliberate intention of so fostering commerce that Manila will become a rival on equal terms with Hong Kong and Singapore. For the present, however, the import duties are necessary and seem to have been very wisely framed.

The experience of the Federated Malay States, which are extremely fortunate in having so large a proportion of the productive tin mines of the world that they have the substantial benefit of monopoly, shows the advantage of an export duty under those special circumstances, in which the element of monopoly enables these states to get a large proportion of their income paid by foreigners.

It is possibly the case that the Manila hemp possesses enough of the monopoly element so that the export duty levied on that article is practically contributed by the foreign consumers, with little, if any, sacrifice on the part of the hemp growers. The other export duties are chiefly defensible on the ground of need for revenue.

*Opium revenue.*—The opium admitted into the Philippines for the use of the Chinese should yield a large revenue, and if the example of other Oriental countries is followed, a very large revenue will be secured from at least this one of the "vices of the Chinaman." This revenue, as we have seen, is sometimes collected directly through import duties and licenses, more frequently through the intervention of a Chinaman as farmer, who pays the government a lump sum for the opium farm, and then collects the duty and license dues for his own pocket under the regulations of the law. The experience of most developing countries has been to the effect that the system of farming out revenue duties is subject to grave abuses, especially against the taxpayers. But it seems to be the common experience in Oriental countries that, owing to the difficulties of dealing with the Chinese, with their peculiar habits and extremely difficult language, the revenue system in connection with opium is not likely to be efficiently managed excepting through a farm.

#### LAND TAX AND LAND TENURE.

*Importance of land tenure.*—Of much greater consequence in the long run than either of the matters mentioned above is the land tax, because the question of the land tax involves the whole subject of land tenure, the question which possibly for the Filipino is the most important. It may readily involve for him the question of independent prosperity or tenancy under conditions little better than serfdom.

One should not overlook the fact that the question of the tenure of land is entirely different in the Oriental country, with a people not skilled in legal technicalities or accustomed to bargaining with Europeans or Americans, and

especially with a people inclined to seize the present pleasure and to forget the possible ills of the future, from the same question in a country like our West, where our pioneers were fairly equal in training and native ability, and were as a rule reasonably thrifty.

But even in the United States, as we know, although our homestead and public-land laws have worked well in the way of developing the country, there have been many abuses. Many homesteads ultimately went into the hands of shrewd speculators and great corporations which were intended to remain in the hands of working farmers. In many cases, too, our land system permitted fraudulent speculations in booming towns, at times resulting in wealth to a few through widespread loss and discouragement of the many.

*Form of land tax in the Orient.*—In all British and Dutch Oriental colonies it is customary for the land tax to be in the form of a rent, amounting to a certain percentage of the average annual crop. In most cases this system has in some form or other come down from ancient times, but in certain instances it is the outgrowth of experience.

*Land tenure in India.*—It has been found best, speaking generally, for the government to retain the title to the land and to lease it to the landholders. The leases or grants are ordinarily perpetual, so long as the lessee pays the regular tax and meets the other conditions laid down; but the government generally retains the right of revision of the rental at regular intervals, most frequently at periods of about thirty years. In some cases, especially when a settlement has first been made, the rental is revised after ten or fifteen years. On the other hand, in Bengal and in some other localities in India, and in exceptional circumstances in some of the other countries where it has been thought especially desirable to attract capital, the rental has been made perpetual, the governments surrendering the right of revision. Inasmuch as the leases may be transferable, such a grant without right of revision amounts practically to the granting of a title in fee simple. This form of lease, however, in Bengal particularly, as well as in some other instances, has been found exceedingly troublesome to the government, and practically no Indian administrator recommends the general disposition of public land on any such terms.

*Land tenure in Java.*—In Java, where in the earlier part of this century the government sold some of its public lands, the experiences have proved unfortunate. The native Javanese being somewhat thriftless, it has been possible for the Chinese and for some Europeans to gather together very large estates in single hands, on which the native Javanese must work as tenants under sometimes very severe conditions laid down by the landlords. These unfortunate experiences with the Javanese have led the Dutch government of late years to consider seriously, though as yet without any action, the advisability of buying up these great landlords' estates, as we have been compelled to consider the need of buying the friars' lands. It has, besides, prescribed with considerable minuteness the terms under which the Javanese shall be permitted to lease their lands to Europeans. Such provisions are intended both to prevent the soil from becoming exhausted and to secure to the native Javanese the use of his land often enough so that he will not be deprived of



food; otherwise he would at times take a money rent for a period of years in advance, spend it all, and then become a burden upon either his neighbors or the public in order to keep from starving. The Dutch government has also found it necessary to forbid absolutely the native Javanese to sell their lands either to Europeans or to the Chinese, unless special permission is granted in exceptional cases by the Dutch resident.

#### SUGGESTIONS REGARDING THE PHILIPPINES.

In the Philippines, if we are to guard the interests of the native Filipino, it will doubtless be necessary for us to adopt measures quite different from those which have been employed in the United States. The more intelligent and prudent of the Filipinos say that one of their chief fears from American rule is that in the course of time the American speculator and business man will succeed in depriving the less thrifty and less farsighted Filipino of his possession of the soil.

Congress has already on this subject made wise provision by instructing the Philippine Commission:

First. To secure a careful survey and classification of the land in order to determine both the boundaries of all private land claims and the nature of the soil, with its availability for various uses.

Second. To make regulations and prescribe terms for perfecting titles, so that the native inhabitants of the islands may secure lands on easy terms, and may have preference over others.

It is probable that in addition, unless it already has the power under the general terms of the act of July 1, 1902—

Third. The commission should be given the power to regulate the terms of the leases of their lands which the Filipinos might wish to make to Americans and Europeans, and that no leases or sales by the natives to such parties should be valid unless they are made in the presence of local government officials, who can explain the terms in detail to the parties concerned, and who are empowered to give or refuse consent to the bargain. This power should be in the hands of the provincial authorities.

Beyond question this is a grant of large and possibly somewhat dangerous discretionary authority, but the provincial board is composed usually of one native Filipino, chosen by the inhabitants of the province, and of two Americans, appointed by the governor on merit. In most cases the composition of the board is such as to prevent any corrupt practices, and the regulations laid down by the commission, together with the experience which would be rapidly gathered, would soon furnish a body of rules which would prevent hardship and insure uniformity of action. The more intelligent and thrifty Filipinos, as well as Americans, would not be unduly hampered in the exercise of their privileges, whereas the less thrifty and more ignorant ones would be protected. The best informed Filipinos favor such restrictions.

Fourth. The government has already made careful provisions for the preservation of the forest lands and for their satisfactory use. Somewhat

similar provisions would be wise regarding the agricultural lands owned by the government. It would probably be best for the Philippine Commission, in the exercise of the powers apparently granted in section 13 of the act of July 1, 1902, instead of selling these lands in fee simple, to lease them, with the right of revising the rental at somewhat long intervals—say, twenty-five or thirty years. This would give a source of revenue which is flexible and which may be made small or large with comparatively little difficulty as occasion demands. Under most circumstances it would probably enable the thrifty Filipino or the American settler to obtain his land with little or no outlay of capital, whereas it would also enable the government in cases of exceptionally valuable land, as in villages or valuable hotel sites, to secure what the land was worth by adding to the annual lease a premium to be paid at once, the amount of which might be determined either by the government itself or by auction.

In securing the investment of larger sums of capital for the development of large sugar, tobacco or hemp plantations, as contemplated in section 15 of the above-named act, the government might advantageously grant on very favorable terms to corporations or individuals large tracts of land; but in this case also Oriental experience favors leasing for suitable periods, with the right of revising the rental at the end of the period.

Besides the wise proviso of the present law—that the grant should be conditioned on actual and continued occupancy, improvement and cultivation of not less than five years, with the provision forbidding alienation or incumbrance of the land during that period—another might with advantage be added, to the effect that noncultivation, except of small pieces devoted actively to some use supplemental to the regular cultivation, should be considered abandonment of the land, and that three years' abandonment would forfeit the land to the state, even though the rental had been regularly paid.

It is extremely important that provisions somewhat of the nature indicated above should secure to the government and to the Filipinos the satisfactory use of the lands, both public and private, and that while legitimate investors for productive purposes should be encouraged, the enormous gains of land speculators should be prevented. Such regulations might quite possibly stifle somewhat the hazardous and injurious enterprise of land booms and town-lot speculations, but the commission would beyond question be able to make terms which would give sufficient encouragement to capital seeking legitimate investment, but which would also protect both the government's interests, present and future, and the welfare of the Filipinos.

Fifth. It is probable that, owing to the nature of the crops and to the character of the landholders, the land tax or rent would better be in the form of a certain percentage of the average annual crop commuted into terms of cash than in a percentage of the value of the land. This system, especially for most tropical countries, is more nearly accurate and equitable. The experiences of the other Oriental countries considered, and the methods employed by them, will prove very suggestive in preparing such regulations.

Sixth. The Torrens system of registration of land is beyond doubt best and will probably be adopted.

Seventh. Owing partly to the devastation of war, partly to the ravages of the rinderpest which destroyed in certain localities nearly all of the cattle employed on the land, the farmers are seriously hampered in tilling their lands. It seems extremely desirable that some method be found to enable them to purchase needed stock and agricultural implements.

The Indian government has found it desirable in many sections to make agricultural loans to farmers to enable them to make purchases of the nature indicated. The loans are made through local revenue officials and the interest and capital are likewise collected by government officials.

In Egypt, as will be seen in the brief chapter on that country, the government finding itself seriously hampered for capital, made arrangements with the National Bank of Egypt to advance money for similar purposes, while the government supervises the loans and collects the interest and the principal through the revenue officials. Both the bank and the people profit by the arrangements, while the government, keeping rigid control through its officials, prevents undue exploitation of the farmers.

In all such countries a chief danger is that the farmers will fall into the hands of unscrupulous usurers who will loan them money at ruinous rates, and who, through mortgages on their crops and property, will bring them into legal subjection not much better than slavery.

It would seem wise if, in connection with the land and revenue administration, our Philippine government could find it practicable either directly to make loans to farmers for needed purposes on reasonable terms, or could arrange with private capitalists or banks, as recommended by the commission, and in Mr. Conant's report on money and banking, to make such loans under government supervision and in part with government aid. The poorer inhabitants in these countries in many cases prefer to pay much higher rates to private usurers than to deal through government officials, because such money lenders, especially the Chinese, are likely to be very liberal in the way of extending loans from year to year, and thus strengthening their hold upon the people while apparently treating them with the greatest consideration. Government officials in making loans, or large banks which work under regular system, should of course have this in mind; and regulations while necessarily somewhat strict should, if possible, be administered with a certain degree of flexibility so as to avoid undue hardship in cases of misfortune.

#### IV. POLICE.

A study of the police systems of the Oriental countries, especially the military police corresponding to our Philippine constabulary, is interesting, but it has comparatively little new to suggest for the improvement of our constabulary. That body has been, on the whole, so efficiently organized and so well directed that, while an expert could doubtless gather suggestions in minor points from these other countries, no important modification seems necessary.

*Need of knowledge of local dialects.*—It is extremely desirable, however, that our American officers in charge of the constabulary should make them-

selves familiar as rapidly as possible with not merely the Spanish language, but also with the local dialects in the localities in which they serve. Not merely should certain rewards in the nature either of prizes or of an increase in salary be granted—a plan which has already been started—but it seems essential that, comparatively soon, appointments should be made dependent upon such knowledge, and that promotions should not be granted without it. The constabulary particularly will do its work in the most efficient way if the officials can come into personal contact in a somewhat familiar way with the inhabitants of all classes of the community. Such intimate relationship cannot be secured without a knowledge of the language, and the experiences of the other countries studied seem to make it clear that such knowledge can be comparatively easily secured along the lines indicated.

*Identification of criminals.*—The constabulary has already organized a very efficient detective service, and much emphasis is placed upon keeping the records of criminals, so that when one is captured it can readily be ascertained whether or not he is an old offender, with his record already in the hands of the police. The prompt identification of such habitual criminals is of very great importance, but it is extremely difficult to keep a set of records so classified and indexed that, after a period of some years has elapsed, the personal characteristics of an unknown criminal just arrested can be found in the records and the man identified without a long search which often proves absolutely unsatisfactory.

The experiences of the English colonies of Hong Kong, Singapore and the other Straits Settlements, Burma and others, where the system of identification is by finger marks, seem to show that system to be by far the most satisfactory that has yet been found, not merely as regards certainty of identification, but especially as regards the ease of classification and the readiness and speed with which any set of finger marks can be traced throughout a large collection of thousands and readily identified. It would seem desirable that our constabulary and police in the Philippines adopt the best methods available for the purpose of tracing criminals, and unless the system has already been thoroughly investigated, it would seem wise that such investigation be promptly made with reference to its possible adoption.

*Methods of dealing with brigandage.*—Some of the countries visited have found it desirable, in the interests of the public peace, without banishing from the country undesirable characters, to remove them from the scenes of their criminal exploits and to locate them among strangers in remote sections.

In Burma, the Straits Settlements and Federated Malay States there still remain numerous bands of robbers or brigands similar to those found in the Philippines. Besides the usual measures of patrolling roads and arresting and punishing criminals when caught, it has at times been found very effective to hold villages as a whole responsible for the criminal acts of robbers when there was reason to believe that the village, or many of the villagers, were harboring or aiding the criminals.

Sometimes the villages are fined heavily; sometimes they are punished by

quartering police upon them at their expense. To offset these punitive measures money rewards are sometimes paid to villages that have shown unusually praiseworthy diligence in hunting down brigands and bringing them to justice.

*Need of using native customs, etc.*—While it is probable that few, if any, of these latter methods would be found advisable for use by our constabulary, still they are extremely suggestive as methods of dealing with semi-civilized peoples in accordance with long-established customs and institutions which they understand. Our constabulary would certainly do well likewise to make careful study of native habits and institutions in order to see what ones can be used to further the ends of good government without doing violence to the higher ideals of civilized peoples.

Beyond question, if the Philippine constabulary is to be a permanent and efficient force, much will be gained by establishing regular systems of pensions and rewards for long and meritorious service.

Aside from these minor matters, part of which are already in force, no other suggestions of importance from the experience of the countries visited are to be offered for improvement of the already splendid force of the constabulary of the Philippines.